

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)
Company's Request for Authority to Implement) **File No. WR-2017-0285**
General Rate Increase for Water and Sewer)
Service Provided in Missouri Service Areas.)

ADDITIONAL RESPONSE TO FUTURE TEST YEAR PROPOSAL

COMES NOW the City of St. Joseph, Missouri, by and through counsel, and offers this additional response to Missouri-American's *Motion to Establish Future Test Year* filed on June 30, 2017 in this matter.

As previously indicated by St. Joseph's signature on the July 27, 2017 *Response to Motion to Establish Future Test Year and Test Year Recommendation* and the August 2, 2017 *Reply to Staff's Response to Motion to Establish Future Test Year* filed jointly by all consumer interests in this case, the City of St. Joseph strongly opposes utilization of a future test year in this case, as proposed by Missouri-American. St. Joseph states the following:

1. Rates set on a future test year would be speculative, at best, and yet would not be subject to refund if the Company over-earned applying those rates.
2. The use of a future test year would leave inadequate time for parties to completely and adequately audit the future test year predictions.
3. The use of a future test year would generate prolonged litigation, particularly because the Commission lacks explicit statutory authority to implement a future test year.
4. The legal standard is not whether a future test year is explicitly *prohibited* by statute, but whether it is explicitly *authorized* by statute. *Utility Consumers Council of Missouri v. PSC*, 585 S.W.2d 41 (Mo SCt, 1979) ("UCCM case"). The use of a future test year is *not* explicitly authorized by Missouri statute.

5. For years, the Missouri PSC believed it had the authority to utilize Fuel Adjustment Clauses for regulated utilities, until the Missouri Supreme Court ruled otherwise in the UCCM case. That Supreme Court decision also upheld the legal requirement that the Commission must consider “all relevant factors” in setting rates, matching expenses, revenues and investment.

6. Further, Section 393.270.4, RSMo, provides that the Commission shall consider all relevant factors including “a reasonable average return upon capital actually expended.” It would violate this statute to allow the inclusion in rates of capital not yet expended, expenditures which are within the sole discretion of utility management.

7. Undersigned counsel has heard the arguments of regulated utilities urging the use of a future test year for more than 30 years. The rationale changes from time to time, from the need to keep up with rampant inflation to the loss of revenues due to conservation. However, the risk of over-charging customers by applying rates based on highly-speculative future revenues and costs remains the same.

8. The Commission should be wary of applying a future test year proposal which is opposed by every party to the case representing consumer interests, including all five municipal intervenors in this case.

9. The extensive discussion at the Oral Argument on August 7, 2017 of the logistical and timing details , as well as of “matching” concerns, strongly suggests that the use of a future test year should be considered by the Commission, if at all, in a generic docket and not in this rate case. At best, multiple audits would be required by multiple parties to assess the quality and reliability of estimates of future costs not incurred within the historic test year, adding time and resource requirements and stretching to (and possibly beyond) the limit of the ability of the

Commission to reach a reasoned decision within the statutory time frame for this rate case.

Respectfully submitted,

/s/ William D. Steinmeier

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been served electronically on the PSC Staff Counsel's office (at staffcounsel@psc.mo.gov), on the Office of the Public Counsel (at opcservice@ded.mo.gov) and on all parties of record on this 8th day of August 2017.

/s/ William D. Steinmeier

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